

SuperGuard 360 SMSF performance indices, July 2018

Latest results from **Superguard 360** show the 12 month return for the SMSF sector as a whole, as represented by the **SG360 SMSF Reference Index**, to the end of July 2018 was around 10.5% before fees and tax. This compares with **SG360 Default Index** which returned slightly less at 10.2%.

This was the third consecutive month in which the Reference Index outperformed the Default Index. The Default Index is based on the returns from default MySuper products.

Over three years the returns of the reference index and the default index were similar. The Reference Indexed returned 7.0%pa compared with the Default Index return of 6.8%pa. Over five years the Default Index still has a significant edge of 0.9%pa (8.4% pa versus 7.3% pa).

Implications

Three quarters of all SMSFs are small having assets less than \$1 million. These funds, according to official ATO figures, have much higher weightings to cash and lower weightings to equities than larger higher performing SMSFs which hold the majority of SMSF assets.

This means that the majority of SMSF members are in funds likely to achieve lower than ideal investment outcomes. To ensure their retirement savings last as long as they do, SMSF members should review the amount they pay in fees and benchmark their portfolio to ensure it is achieving the returns they are expecting. If they are achieving lower investment returns than the benchmark it is important they understand why.

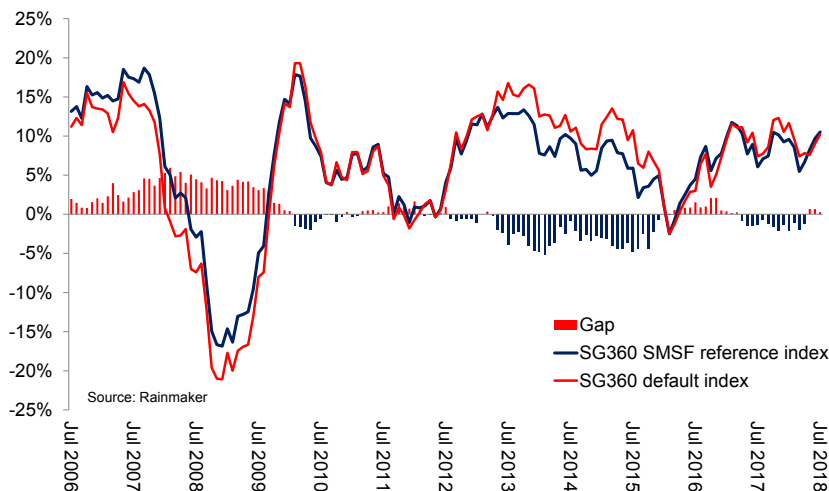
SG360 SMSF performance indices, July 2018

	1 year	3 years pa	5 years pa	10 years pa
SG360 SMSF reference index	10.5%	7.0%	7.3%	6.0%
SG360 default index	10.2%	6.8%	8.4%	6.4%

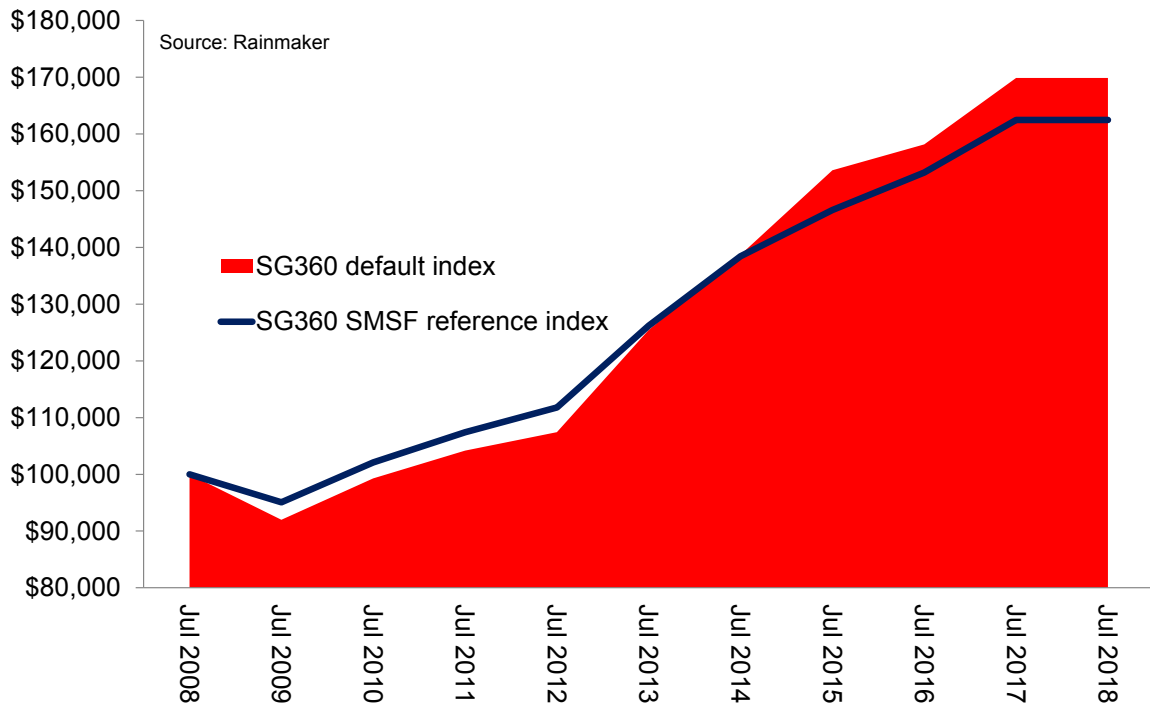
Value of \$100,000 invested 10 years ago

		Increase	Gross change
SG360 SMSF reference index	\$162,458	\$62,458	62%
SG360 default index	\$169,869	\$69,869	70%

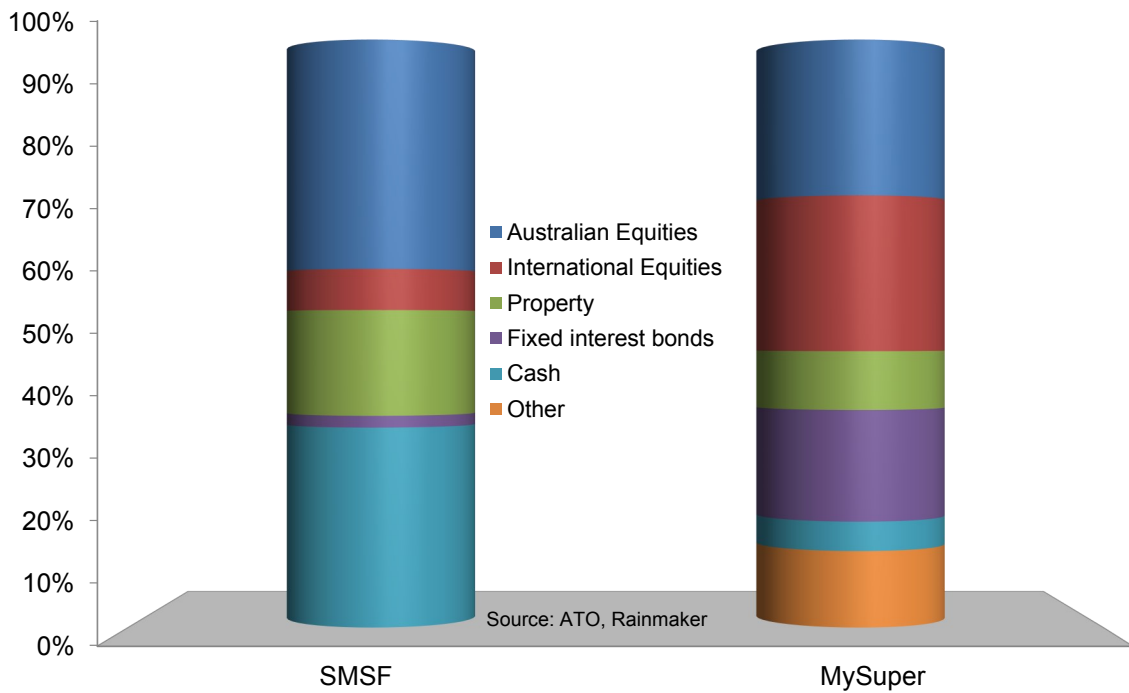
SG360 indices - rolling 12 months



Value of \$100,000 invested 10 years ago



Benchmark asset allocation



General market commentary July 2018

After a loss of momentum in stock markets early this year, the markets recovered well in July. Globally all stock markets recorded positive returns in the last month except China.

Trade tensions between the US and China haven't really eased yet as both countries stick to their plans of imposing tariffs on each other. Meanwhile the European Union and Japan signed a significant free trade deal to banish all tariffs and signalling their stand on protectionism.

The stock markets of two of the world's biggest economies gained more than 3% in July. US stocks as measured by S&P500 gained 3.7%, closely followed by Europe's FTSE Euro 100 with a return of 3.6%. International stocks overall rose 3.2%. Chinese stocks continued their losing streak, losing 2.4% on top of June's massive loss of 11.6%. In US dollar terms, Chinese stocks have had negative returns every month for the past six months, losing a total of 24%. Emerging markets gained 2.4% in July.

The broad Australian share market as represented by S&P ASX 200 index generated 1.4% in the month taking its annual return to July to 14.6%. The sub sectors had mixed returns with small cap stocks losing 1.0%, the resource sector was virtually unchanged while industrials rose 1.7%.

In the Property sector, Australian listed property generated a 1.0% return for the month and 14.2% for the 12 months. Australian fixed interest outperformed International fixed interest for both July (0.2% versus 0.0%) and 1 year to July (3.0% versus 1.5%).

The Australian dollar remained mostly unchanged, opening at 73 US cents and closing at 74 US cents at the end of July.

Financial market returns to July 2018

		1 month	1 year	3 years pa	5 years pa	10 years pa
Australian equities	S&P ASX 200	1.4%	14.6%	8.0%	9.2%	7.0%
	S&P ASX 200 Industrials	1.7%	10.6%	6.4%	9.8%	9.5%
	S&P ASX 200 Resources	0.1%	34.2%	15.7%	6.3%	0.2%
	S&P ASX Small Ordinaries	-1.0%	22.6%	14.0%	9.3%	3.1%
International equities	MSCI All Countries ex AU Local Currencies	3.2%	13.3%	9.5%	11.4%	8.4%
	MSCI All Countries ex AU in AUD	2.5%	21.0%	9.2%	14.5%	10.1%
US	S&P 500	3.7%	16.2%	12.5%	13.1%	10.7%
	S&P 500 in AUD	3.1%	24.8%	12.1%	17.5%	13.3%
Europe	FTSE Euro 100	3.6%	6.8%	4.2%	9.7%	5.4%
Japan	MSCI Japan	1.5%	10.5%	3.0%	10.5%	4.5%
China	FTSE China A Shares in USD	-2.4%	-14.4%	-10.4%	6.7%	3.6%
EM	MSCI Emerging Markets in USD	2.3%	4.7%	9.3%	5.6%	3.2%
	MSCI Emerging Markets in AUD	1.7%	12.5%	8.9%	9.7%	5.7%
Aust Listed Property	S&P/ASX 200 A-REIT	1.0%	14.2%	8.0%	12.4%	6.6%
Global infrastructure	FTSE Developed Infrastructure Hedged	2.6%	7.2%	8.1%	8.7%	8.0%
Australian equities ESG	MSCI Australia ESG Leaders	1.5%	7.1%	5.0%	8.2%	8.4%
International equities ESG	MSCI ACWI SRI	3.7%	14.7%	12.8%	7.5%	3.7%
International fixed interest	Bloomberg Barclays Global Agg Hedged	0.0%	1.5%	3.4%	4.8%	6.8%
High yield in USD	iBoxx Liquid High Yield in USD	1.2%	2.3%	5.3%	4.6%	7.0%
Emerging market debt in USD	Barclays Emerging Markets Debt in USD	1.7%	-0.3%	4.6%	4.6%	6.7%
Corporate investment grade	Barclays Global Corporate in USD	1.0%	-0.5%	3.6%	3.9%	6.5%
Australian Fixed Interest	Bloomberg Ausbond Composite	0.2%	3.0%	3.0%	4.2%	5.9%
Cash	Bloomberg Ausbond Bank Bill	0.2%	1.9%	1.9%	2.2%	3.2%

Source: FactSet

About the SG360 performance indices for SMSF investors

SuperGuard 360 produces two performance indices useful for self managed superannuation fund (SMSF) investors, being trustee members of SMSFs:

SG360 SMSF reference index: This index describes the post-fee investment return a SMSF trustee would receive in their account if they invested passively using the asset allocation represented by SMSF asset distribution published by the Australian Taxation Office.

SG360 default index This index describes the post-fee post-tax investment return a SMSF investor would have achieved if they invested in the same way the typical Australian Prudential Regulation Authority (APRA) regulated MySuper product invests.

The generalized asset allocation used in each index is shown in the chart on page 2. Generally speaking SMSFs have a higher weighting to property than do MySuper options and a lower weighting to equities in general and international equities in particular. The index is reweighted at the beginning of each financial year to reflect changes in SMSF asset allocation.

Methodology

The SG360 SMSF Reference Index is derived by the following capital market indices:

- Australian shares S&P ASX 300 Accumulation Index
- International shares MSCI Global Shares AUD Index
- Property Financial Standard Direct Property Index
- Fixed interest Bloomberg AusBond Composite 0+Yrs Index
- Cash RBA Online Saving Account for \$10k Index
- Other Rainmaker Average Wholesale Balanced Index

Terms of service

SuperGuard 360 indices are available to be used freely by investors, researchers, financial institution or media organisations so long as due attribution is given to SuperGuard 360 and Rainmaker Information.

For more information about this Index, please contact Rainmaker Information:

Phone: +61 2 8234 7500

Email: info@rainmaker.com.au

Contact: Christopher Page